

APPROVED
AUDIT ADVISORY BOARD REGULAR MEETING
CITY OF FORT LAUDERDALE
CITY HALL 8th FLOOR CONFERENCE ROOM
TUESDAY, OCTOBER 29, 2013 - 5:00 PM

<u>Board Member</u>	<u>Attendance</u>	Cumulative Attendance 10/1/13 – 9/30/14	
		<u>Present</u>	<u>Absent</u>
Martin Kurtz, Chair	P	1	0
Roger Ally	P	1	0
Jennifer Diehl	P	1	0
Richard Owen [5:14]	P	1	0

Staff

Douglas Wood, Director of Finance
Kirk Buffington, Deputy Director of Finance
Stanley Hawthorne, Assistant City Manager
Linda Logan-Short, Controller, Finance Department
John Herbst, City Auditor
Jaclyn Meli, Senior Financial Management Analyst
Marcos Nichols, Senior Management Fellow Intern
Lura Rogers, Board Liaison

Other Attendees

Aazan St. Rose, Crowe Horwath
Deborah Garringer, Crowe Horwath
John Weber, Crowe Horwath
Natalee Camoesas, MSL
Ehab Azer, MSL
Bob Oelke, Resident

Communication to the City Commission

None

1. Call to Order

Chair Kurtz called the meeting to order at 5:04 p.m.

2. Roll Call

As of this date, October 29, 2013, there are 4 appointed members to the Committee, which means 3 would constitute a quorum. At this time, there is a quorum.

3. Approval of March 12, 2013 Meeting Minutes for Approval:

Motion made by Chair Kurtz, seconded by Mr. Ally to approve the minutes of the March 12, 2013 meeting. In a voice vote, the motion passed unanimously.

Chair Kurtz asked that the Motion at the August 13, 2013 Meeting be moved to the beginning of the minutes as a Communication to the City Commission.

4. Approval of August 13, 2013 Meeting Minutes for Approval:

Motion made by Chair Kurtz, seconded by Mr. Ally to approve the minutes of the August 13, 2013 meeting. In a voice vote, the motion passed unanimously.

Chair Kurtz announced that Mr. Oelke will be the liaison between the Audit Advisory Board and the Budget Advisory Board.

Presentation of Crowe Horwath Audit Planning

- Deborah Garringer/Crowe Horwath announced that John Weber will be taking over for her as the Audit Engagement Partner as she is retiring. John Weber/Crowe Horwath started the presentation with the Auditor's Responsibilities, Deliverables and Independence Considerations then turned the presentation over to Aazan St. Rose/Crowe Horwath who covered the Planned timeline, Scope of the Audit, Preliminary observations and findings and Fraud and Other Communications. Hard copies of the Audit Planning were distributed to the Board & staff.

Chair Kurtz asked if Crowe Horwath had done the analysis to determine the major single audit categories and Mrs. Logan-Short mentioned that she did a preliminary fund determination for government funds and the Pension Obligation Bonds have risen to the point of being a major fund for this year's audit.

Chair Kurtz asked to go back to page 14 to the two fraud risk factors listed, revenue recognition and Management override of controls and state that in his experience it is unusual to see nothing else to pursue. The auditors looked at payroll disbursements and grant funds and the proper spending of grant funds but because of their work last year and knowledge of City controls and the overall environment it was determined that

the risk of fraud is low.

Chair Kurtz mentioned that last year we hit the March date for both the regular audit and the single audit, so the March meeting for AAB is tentatively scheduled for February 25, 2014 and the next AAB meeting would take place on January 28, 2014 at 5:00PM.

Presentation of City Auditor's Risk Analysis 2014 Spreadsheet

Mr. Herbst presented the Audit Risk Analysis Model 2014 spreadsheet that quantifies areas of concern. Only column G has changed because of changes in management and organizational structure which always represents a risk. The City Manager has been on board for two and a half years so far and some areas of concern are Inventory(which is being monitored), disaster planning and EMT, IT System Security, Aquatic Center, Overtime as it applies to the uniformed services, Community Development grants(documentation and compliance needs review as the City continues to pay money back to HUD). Areas of concern that did not show up on the Risk Analysis Model are Facilities Maintenance being transferred from the Public Works department to the Parks Department, transaction processing, internal protections on personal identifying information, lease agreements on property leased from the City is not being monitored and Real Estate also being under the Parks Department, and the Police Chief would like an audit of the evidence room and activities because of an internal tip.

Kirk Buffington mentioned that the item for the firm to manage leases was on the November 19, 2013 Commission Agenda.

John Herbst announced that the City is fully engaged in Performance management and will be publishing a full Performance report by department with all performance indicators. He also stated that his approach to auditing is that audit items can be added but no items can be taken off.

Chair Kurtz asked if the Risk Analysis spreadsheet is used to determine where to do audits and John said that the spreadsheet is used as a screening tool for audit issues and Column C is highest on his judgemental scale. Mr. Owen asked if the spreadsheet was made available to the external auditors and both John and Mrs. Logan-Short said yes. John said that whistleblower concerns are addressed but are often raised because people don't understand the operation and procedures. Mrs. Diehl asked how the

percentages were being calculated to which Mr. Owen replied that it is 50% of the total and that the spreadsheet appears to be a great tool.

John mentioned that the Resource Recovery Board is an example of an audit that ballooned out of control. He provided an Interim Report to the Resource Recovery Board and an interim bill to Broward County who declined to pay the bill and declined to recognize the validity of the contract with the Resource Recovery Board. The City is in the midst of a lawsuit with the County which is confidential and exempt. Chair Kurtz asked about the status of the lawsuit and John said the City asked for an expedited movement straight to trial but the legislature believes that mediation is the preferred outcome. John said that a settlement number is on the table and a meeting with all the elected officials of all the sixteen cities would need to be set up. Chair Kurtz asked if the settlement amount is in the budget and John said that none of the settlement is in the budget. Doug asked if the City got an upfront amount of about two and a half million and John said that the City got an upfront payment of some of the excess reserves that were remaining within the Resource Recovery Board at its termination on July 2nd, but may have to take it back because there are many unidentified liabilities(example – the landfill).

Chair Kurtz asked if open points of prior audits were being followed up on and John said that his staff is working on two follow up audits, one of Parking, one of Fleet and they are starting on one for Human Resources. Chair Kurtz asked if there would be a report and John said yes as soon as an area is completed. An audit was performed on the RFP process and all the field work was completed but the report was never released.

Chair Kurtz asked about a fixed assets procedure and John said that his staff will look over internal controls related to fixed assets to determine if they are sufficient but that they will not be doing an audit of fixed assets at this time. The external auditors have already identified fixed assets as a material weakness.

Mr. Oelke asked about the health insurance fund and said that a couple of employees mentioned that there were dependents that were not eligible for coverage or that there were procedures being done that nobody knew about. John said they made some inquiries and did some preliminary investigatory work but they weren't able to substantiate the suspicions that people had. John said that under state law retirees can stay on the City's healthcare plan till age 65 but that Obamacare offers better deals than the City and that he would like to wait about two years before looking into this.

Mr. Ally said that the Florida Legislature adopted the Daubert standards where you can't have all this junk science coming in. John said that the county has hired their expert to

assess the landfill liability and the lead attorney that is representing all the cities has retained a firm to assess the landfills as well. John wants Weiss Serota to hire a forensic accounting firm to determine the total nature and extent of the assets and liabilities actually are.

Other Business

Doug Wood announced that the City received a Certificate of Achievement for Excellence in Financial Reporting and that the Commission approved the contract for ERP needs assessment. He also announced that he will be retiring effective March 2014.

Ordinance No. C-13-28

Chair Kurtz explained the staggered terms in Ordinance No. C-13-28.

Next Meeting Date is scheduled for January 28, 2014

The meeting was adjourned at 6:23PM.

Documents Attached:

Crowe Horwath

Audit Risk Analysis Model 2014

Ordinance No.C-13-28

[Minutes prepared by Lura Rogers, Board Liaison]